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MEMORANDUM

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Abby Henig, Assistant General Counsel
Corporation Commission—Securities Division

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TO: Docket Control

FROM: Abby Henig *ah*

DATE: September 14, 2006

RE: Docket # RS-00000A-06-0210

Arizona Corporation Commission

DOCKETED

SEP 14 2006

DOCKETED BY

NR

Please file the attached letter to the office of the attorney general, notice of final rulemaking, and agency certificate in docket # RS-00000A-06-0210. No distribution is necessary.

Thank you.

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ARIZONA CORPORATION COMMISSION

September 14, 2006

The Honorable Terry Goddard
Attorney General
1275 West Washington
Phoenix, Arizona 85007

Re: A.A.C. R14-4-135

Dear Mr. Goddard:

The above-referenced rule was amended on September 7, 2006, by the Arizona Corporation Commission ("ACC"), subject to approval by the Attorney General.

The following information is provided for your use in reviewing the enclosed rule for approval pursuant to A.R.S. § 41-1044:

I. Agency Rules Not Published in Code

To my knowledge, the only ACC rules not yet published in the Code, other than this rule, are revised R14-6-101 and R14-6-206, which are currently awaiting approval by your office.

II. Procedures Followed

The ACC's rulemaking process was as follows:

- (1) A Notice of Rulemaking Docket Opening was published in the Arizona Administrative Register in 12 A.A.R. 1425, April 28, 2006.
- (2) A Notice of Proposed Rulemaking was published in the Arizona Administrative Register in 12 A.A.R. 2288, June 30, 2006.
- (3) The Notice of Proposed Rulemaking provided notice of the public hearing (oral proceedings) for the rule. In addition, on July 26 and August 2, 2006, the ACC posted notice of the public hearing in compliance with Arizona open meeting laws.
- (4) No supplemental notices were made in this rulemaking proceeding.

- (5) Public participation pursuant to A.R.S. § 41-1023 was as follows:
 - (a) The ACC accepted written comments through August 9, 2006, the date of the public hearing.
 - (b) No request was made for an oral proceeding; however, the ACC scheduled an oral proceeding for the rules.
 - (c) A public hearing (oral proceeding) occurred on August 9, 2006.
- (6) The ACC closed the record on the rules at its September 7, 2006, open meeting.
- (7) The ACC amended the rules by unanimous vote during the September 7, 2006, open meeting. The signed order making the rules is dated September 12, 2006.
- (8) The ACC complied with the open meeting laws, where applicable.
- (9) The ACC's statutes do not specifically require any other procedures.

III. Supporting Documents

I have enclosed, for your information, the following documents:

- (1) Original and two copies of the Notice of Final Rulemaking, including the preamble and text of the new rules.
- (2) Original and two copies of the ACC's Agency Certificate.
- (3) Original and two copies of the ACC's Agency Receipt.
- (4) Original form for Attorney General's approval of final rules.
- (5) One copy of the Notice of Rulemaking Docket Opening, as published.
- (6) One copy of the Notice of Proposed Rulemaking, as published.
- (7) One copy of the procedural order for the August 9, 2006, public hearing.
- (8) One copy of the transcript of the public hearing on the rule.
- (9) One copy of the ACC order making the rule subject to Attorney General's approval.

Under A.R.S. § 41-1055(D)(3), the ACC is not required to prepare an Economic, Small Business And Consumer Impact Statement for this rulemaking.

Please let me know if you would like any additional copies of these items. We have included a disk containing the Notice of Final Rulemaking in rich text format for the secretary of state. My understanding is that you will forward the final rulemaking packet (including the disk) to the secretary of state.

Please let me know if I can be of any assistance to you in your review process. My direct line is 542-0643. You should also feel free to contact Abby Henig, Assistant General Counsel for the Division, at 542-0187. Thank you for your cooperation.

Very truly yours,

A handwritten signature in black ink, appearing to read 'M Neubert', with a stylized flourish at the end.

Matthew Neubert
Director of Securities

cc: Jeffrey Hatch-Miller, Chairman (w/o encl.)
William A. Mundell, Commissioner (w/o encl.)
Mike Gleason, Commissioner (w/o encl.)
Kristin K. Mayes, Commissioner (w/o encl.)
Barry Wong, Commissioner (w/o encl.)
Brian C. McNeil, Executive Director (w/o encl.)
Cheryl Farson, General Counsel (w/o encl.)
Abby Henig, Assistant General Counsel (w/o encl.)

AGENCY CERTIFICATE
NOTICE OF FINAL RULEMAKING

1. Agency name: Arizona Corporation Commission, Securities Division
2. Chapter heading: Chapter 4. Corporation Commission - Securities
3. Code citation for the Chapter: 14 A.A.C. 4
4. The Subchapters, if applicable; the Articles; the Parts, if applicable; and the Sections involved in the rulemaking, listed in numerical order:

Subchapters, Articles, Parts, and Sections

Action

Article 1, Section R14-4-135

Amend

5. The rule contained in this package is a true and correct version of the rule made by the agency.

6.


Brian C. McNeil
Executive Director
Arizona Corporation Commission

Date

12 SEP 06

7. Exempt from Governor's Regulatory Review Council: A.R.S. § 41-1057

TITLE 14. PUBLIC SERVICE CORPORATIONS; CORPORATIONS AND ASSOCIATIONS;
SECURITIES REGULATION

PREAMBLE

- 1

Telephone: (602) 542-0187
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6. An explanation of the rule, including the agency's reasons for initiating the rulemaking:

A.A.C. R14-4-135 ("rule 135") provides an exemption from registration with the Arizona Corporation Commission ("Commission") for securities that qualify for federal registration with the United States Securities and Exchange Commission ("SEC") under the Multijurisdictional Disclosure System.

On July 1, 1991, the Multijurisdictional Disclosure System ("MJDS") became effective upon its implementation by the SEC and regulatory authorities in Canada. (SEC Release No. 33-6902; SEC Release No. 34-29354). The MJDS provides a mechanism for reciprocity in cross-border offerings of securities between the U.S. and Canada. The basis for this reciprocity is the principle of mutual acceptance of the home jurisdiction's disclosure requirements and securities registration review procedures. Under MJDS, a Canadian issuer that qualifies as a "substantial issuer" is able to use a registration statement prepared in accordance with Canadian requirements to offer its securities in the U.S. Such an offering may be part of a simultaneous offering in the U.S. and Canada, or it may be made only in the U.S. Except in special circumstances, the SEC will not conduct a review of the registration application in addition to the Canadian review for Canadian MJDS securities offerings. For offerings made simultaneously in both jurisdictions, the registration of the offering of securities will automatically become effective with the SEC when it is cleared by

the Canadian securities regulator. Offerings made only in the U.S. will automatically obtain SEC effectiveness within a specified number of days after filing.

In order to accommodate MJDS offerings, the Commission adopted rule 135 in 1991, providing an exemption for MJDS offerings effective with the SEC, as long as a filing had been made with the Commission seven days before an offering in Arizona was made.

Since adoption of rule 135, the review period in Canada has been reduced. The Commission amended rule 135 so that offerings filed pursuant to the MJDS system become effective in Arizona upon the effective date with the SEC, provided that before the offer is made a prospectus or offering circular is filed with the Commission and the requisite fee is paid.

The impetus behind the original rulemaking was the encouragement of legitimate capital raising activities across national borders. Removal of the seven-day period underscores this original intent; predicated the exemption on the securities registration being effective with the SEC and offering materials being filed with the Commission ensures investor protection.

7. A reference to any study relevant to the rule that the agency reviewed and either relied on or did not rely on in its evaluation of or justification for the rule, where the public may obtain or review each study, all data underlying each study, and any analysis of each study and other supporting material:

None.

8. A showing of good cause why the rule is necessary to promote a statewide interest if the rule will diminish a previous grant of authority of a political subdivision of this state:

Not applicable.

9. A summary of the economic, small business, and consumer impact:

Pursuant to A.R.S. § 41-1055(D)(3), the Commission is exempt from providing an economic, small business, and consumer impact statement.

10. A description of the changes between the proposed rule, including supplemental notices, and the final rule:

None.

11. A summary of the comments made regarding the rule and the agency response to them:

The Commission did not receive written comments to the rule.

12. Any other matters prescribed by statute that are applicable to the specific agency or to any specific rule or class of rules:

None.

13. Any material incorporated by reference and its location in the text:

None.

14. Whether the rule was previously made as an emergency rule and, if so, whether the text was changed between the making as an emergency and the making of the final rule:

Not applicable.

15. The full text of the rule follows:

TITLE 14. PUBLIC SERVICE CORPORATIONS; CORPORATIONS AND
ASSOCIATIONS; SECURITIES REGULATION

CHAPTER 4. CORPORATION COMMISSION

SECURITIES

ARTICLE 1. IN GENERAL RELATING TO THE ARIZONA SECURITIES ACT

Section

R14-4-135. Exempt Securities – Multijurisdictional Disclosure System

R14-4-135. Exempt Securities – Multijurisdictional Disclosure System

An offering of securities within this state which has been declared effective with the U.S.

Securities and Exchange Commission (the “SEC”) on Form F-7, F-8, F-9, or F-10 shall be added to the class of securities exempt under A.R.S. §44-1843, provided that before an offer is made in Arizona:

1. A prospectus or an offering circular, the standards of form or content which are prescribed by any provision of the Securities Act of 1933, or rules and regulations promulgated thereunder, and Form F-7, F-8, F-9, or F-10, whichever is applicable, shall be filed with the Commission ~~at least seven days before the offering is made~~; and
2. A nonrefundable exemption fee as provided in A.R.S. § 44-1861(G) shall be paid to the Commission.